

Northumbria Research Link

Citation: Ellis, Victoria and Bosworth, Gary (2015) Supporting rural entrepreneurship in the UK microbrewery sector. British Food Journal, 117 (11). pp. 2724-2738. ISSN 0007-070X

Published by: Emerald

URL: <https://doi.org/10.1108/BFJ-12-2014-0412> <<https://doi.org/10.1108/BFJ-12-2014-0412>>

This version was downloaded from Northumbria Research Link:
<http://nrl.northumbria.ac.uk/id/eprint/43004/>

Northumbria University has developed Northumbria Research Link (NRL) to enable users to access the University's research output. Copyright © and moral rights for items on NRL are retained by the individual author(s) and/or other copyright owners. Single copies of full items can be reproduced, displayed or performed, and given to third parties in any format or medium for personal research or study, educational, or not-for-profit purposes without prior permission or charge, provided the authors, title and full bibliographic details are given, as well as a hyperlink and/or URL to the original metadata page. The content must not be changed in any way. Full items must not be sold commercially in any format or medium without formal permission of the copyright holder. The full policy is available online: <http://nrl.northumbria.ac.uk/policies.html>

This document may differ from the final, published version of the research and has been made available online in accordance with publisher policies. To read and/or cite from the published version of the research, please visit the publisher's website (a subscription may be required.)



**Northumbria
University**
NEWCASTLE



UniversityLibrary

Supporting Rural Entrepreneurship in the UK Microbrewery sector

An earlier version of this paper was presented at the 4th Beeronomics Conference, York, September 2013

British Food Journal – Research Paper

Victoria Ellis (vellis@lincoln.ac.uk) & **Gary Bosworth** (gbosworth@lincoln.ac.uk)

University of Lincoln
Lincoln Business School
Brayford Wharf East
University of Lincoln
Lincoln, LN5 7AT
UK

Victoria Ellis is a lecturer of management at the University of Lincoln where her research is focused on the impact of management on the social construction of space within public houses and entrepreneurship within the microbrewery industry.

Dr Gary Bosworth is Reader of Enterprise and Rural Economies at the University of Lincoln where his research is focused on contemporary changes in the rural economy, including counterurbanisation, changing consumption patterns and changing representations of the countryside.

Abstract

Purpose: The UK has seen rapid growth in the number of microbreweries but a concurrent decline in public house numbers raising concerns about the sustainability of this growth. This research explores the entrepreneurial characteristics of microbrewers to assess their motivations and growth potential. With an emphasis on rural based businesses, the local economic impacts are also examined.

Design/methodology/approach: The research is informed by analysis of trends in both the brewing and public house sectors in the UK. Three days of observation at collaborative brewing events with 26 microbrewery owners and 3 microbrewery managers were supplemented with 15 semi-structured interviews.

Findings: The findings indicate that the value attached to microbreweries extends beyond their economic contribution with wider outcomes including, training and job creation, the preservation of listed buildings and the enhancement of rural tourism. However, support of such outcomes can also distort competition.

Originality/value: As competition increases in the sector, microbrewery owners need to become more entrepreneurial to maintain their market position. Competition is heightened by a number of lifestyle enterprises that can survive with lower profit levels while routes to market are limited by a decline in the public house sector. In such a pressured market, there is a need for clearer assessments of the impacts on local economies and entrepreneurship when grant funding is provided.

Keywords: Local development; microbreweries; business support; entrepreneurship; funding decisions; public houses; alcohol; sustainable growth;

Introduction

The number of microbreweries in the UK has more than doubled since the start of the millennium with statistics provided by the British Beer and Pubs Association (BBPA) and Rycroft (2013) indicating a growth of 184% between 2002 and 2013. This reflects a wider trend in the local food and beverage sector where demands for more localised and authentic production has led to the development of marketing approaches such as organic box schemes, farm shops and farmers' markets (Morris and Buller, 2003). Goodman (2009) partly attributes this shift away from mass-produced 'placeless and faceless' foods to a crisis of confidence in the large scale corporate food industry, particularly among higher income consumers. Mak *et al.* (2012) also note that food and beverage choices increasingly relate to other preferences concerning local gastronomic identities (Alonso and O'Neill, 2010), cultural capital and experiential rather than necessity factors, factors that can also transfer into expressed preferences for real ale^[1] produced by smaller, local breweries.

This growth is not just a British trend. The Wall Street Journal reported that the economic downturn saw 114 new microbreweries or brewpubs launching in 2008 (the US Brewers Association [2013] estimated a further 409 in 2012). In many cases these were founded by entrepreneurs released from corporate employment (Kesmodel, 2009). In 2012, the 28 member states of the European Union boasted some 4,460 brewing companies but these were not uniformly distributed and several countries experienced considerable growth in numbers of microbreweries between 2008-2012 including Norway (210%), Slovakia (271%), Sweden (300%) and Spain (442%) (The Brewers of Europe, 2013). This growth has reportedly 'renewed an interest in the beer category as a whole and re-awakening an interest in the diversity of beer styles and their place in gastronomy' (*ibid*: 27).

The contribution of beer to the European Union is significant. In 2012, it was responsible for 2 million jobs throughout the supply chain where 125,400 jobs were directly created in breweries. It generated 53 billion Euros in revenue for EU governments and yielded a turnover of 111 billion Euros in hospitality and retail outlets (The Brewers of Europe, 2013). European brewers collectively brewed 390 million hectolitres (hl) of beer during 2012 to become the second largest producer behind China

[1] "Real ale" was coined by CAMRA (Campaign for Real Ale) in the early 1970s to differentiate traditionally brewed ale from bulk brewed ale (CAMRA, 2013a)

who produced 443hl (Kirin Beer University, 2013) during the same period. This was ahead of the United States of America who produced 41%, Brazil 65% and Russia 75% less than that produced by the European Union (The Brewers of Europe, 2013).

It is easy to assume that many new microbreweries are little more than side activities (Markantoni et al, 2013) or lifestyle businesses, allowing individuals to pursue personal interests and niche markets rather than more lucrative business goals (Alonso, 2011; Tregear, 2005). However, in rural areas, a number of microbreweries have been supported through LEADER^[2], many as part of a diversification strategy for farms or pubs in need of additional income streams (Annibal *et al.*, 2013). While over 90% of microbreweries in the UK produce less than 5,000hl per year (The Brewers of Europe, 2013), evidence suggests that expansion may not increase their workforce significantly as economies of scale reduce the human resources required to produce larger quantities of ale (SIBA, 2012).

This raises questions about the value of their potential economic contribution, yet recent years have seen a number of these ventures receiving business grants from a range of sources so the impact of this investment merits closer investigation. In particular this paper focuses on two questions; firstly, “what are the impacts of funding for the entrepreneurial behaviour of microbrewery owners?” and secondly, “what is the impact of the growth of microbreweries on local economic development?” Therefore, this paper proceeds by reviewing the nature of entrepreneurial behaviour in small rural firms and the role of public funding for small businesses in rural economies. This review of literature informs the methodology before analysis of the economic context, qualitative findings, discussion and conclusions are presented.

Entrepreneurial Behaviour

Entrepreneurship has been defined in a number of ways but for the purposes of this paper we apply a broad definition referring to “the strategic investment of all forms of capital, whether human, social or financial, in the pursuit of planned business development goals” (Bosworth and Farrell, 2011: 1491). Additionally, it is important to recognise that this involves “the interplay of entrepreneurs’ social networks and cognitive biases” (DeCarolis *et al.*, 2009: 528) as entrepreneurs seldom succeed in

^[2] A series of European funding programmes for rural areas based on a bottom-up approach to economic and social development (See Annibal *et al.* 2013 for a full explanation)

isolation.

While risk-taking is an essential feature of entrepreneurial orientation for a number of authors (e.g. Lumpkin and Dess, 1996), other theorists see the entrepreneur as someone who *manages* (Macko and Tyska, 2009) or *mitigates* calculated risk (Morris, 1998; Begley and Boyd, 1987), thus they will seek out the most profitable sources of funds to support their business ventures. The aim of policy in more peripheral locations, therefore, is often more about creating entrepreneurial cultures and raising the general level of entrepreneurial capacity, focusing on a local economy rather than individual business outcomes (North and Smallbone, 2006). In economically stagnating peripheral regions, less innovative and more mundane forms of entrepreneurship can be more realistic options too (Fuduric, 2008), indicating that public funding choices encompass a number of variables.

In order to assess entrepreneurial characteristics within the microbrewery sector, we develop the five dimensions of entrepreneurial orientation proposed by Lumpkin and Dess (1996). These are set out in Table 1 as framework for analysis. The traits set out in Table 1 highlight the fact that support for entrepreneurship may be better delivered by means of facilitating the spread of technology, growth of knowledge networks and training to provide core business skills. The provision of supportive policies, environments and physical infrastructure can then benefit both existing businesses and new start-ups (Carter and Jones-Evans, 2012).

Table 1: Entrepreneurial Orientation (developed from Lumpkin and Dess, 1996)

<u>Entrepreneurial Trait</u>	<u>Personal characteristics</u>
<u>Autonomy</u>	<u>Conviction, motivation, individualism, “local of control” (Rotter, 1961)</u>
<u>Innovativeness</u>	<u>Creativity (Martin and Wilson, 2014), ability to adopt technology, ability to initiate new processes and create new products (Schumpeter, 1934)</u>
<u>Risk-taking</u>	<u>Willing to accept uninsurable risks (Knight, 1971) – may include personal/social risks as well as financial risks (Littunen, 2000)</u>
<u>Pro-activeness</u>	<u>Alertness to opportunity (Kirzner, 1979; Valliere, 2013), perceptiveness, vision, “effectuation” (Sarasvathy, 2008)</u>
<u>Competitive aggression</u>	<u>“Need for achievement” (McClelland, 1961), profit-orientation, growth ambition</u>

Entrepreneurs are often considered to have an internal locus of control, or even an “illusion of control” (De Carolis *et al.*, 2009), encompassing a degree of self-belief that they can create positive outcomes through their business activities. Thus, it is sometimes considered that entrepreneurial efforts are hampered by strictly regulated and constrained environments (Grande *et al.*, 2011). At face value, this autonomy appears to contradict the recognised importance of networks and this creates added challenges for policy-makers who often have different expectations when seeking to promote small-firm networks (Lockett *et al.*, 2012). However, an entrepreneur can retain individual motivations and a strong internal belief whilst constructing a strong network to support her business (Littunen, 2000).

~~In a rural context, the challenges faced by entrepreneurs will include the constraints of smaller local populations and sparser business networks, requiring greater efforts to become ‘embedded’ into the local community (Kalantaridis and Bika, 2006).~~ Drawing on their human and social capital (Henchion and McIntyre, 2005), rural-small business owners in this sector are well placed to benefit from embeddedness (Bosworth, 2009) and this provides a mechanism for bridging structural holes in resources and for filling information gaps (Jack and Anderson, 2002).

However, localised areas of disadvantage, including low levels of entrepreneurship, persist, especially in more-in rural areas, for a number of reasons so the targeting of policy requires an understanding of the underlying causes. ~~These include *inter alia* a weak economic base with barriers to work for individuals, poor skills or connectivity, factors discouraging business investment, poor housing and local environments, unstable communities, disorder and antisocial behaviour, poor physical connectivity with labour markets and poor performing public service delivery (Malecki, 2003; Williams and Williams 2012; 2014).~~

For any local or regional development policy, there remains a dilemma in balancing the goals of equity and growth. Rural development programmes, particularly LEADER, increasingly follow an approach where building connections to wider networks and raising local economic capacity through local innovation and collaboration is at the heart of policy (European Commission, 2006). Whether traditional “top-down” or more recent “bottom-up” approaches dominate, however, it is assumed that grants should provide a net positive impact in terms of local economic indicators including job creation, training provision, increased visitor numbers or spill-over benefits for related businesses. In some cases, this might extend to the safeguarding of local jobs, support for key services or positive impacts for the natural or built environment.

Each of these outcomes can be the product of direct financial investment leading to increases in measurable outputs or they can also stem from secondary effects resulting from increasing entrepreneurial capabilities. While increased skills levels can have a direct impact on business performance, derived effects such as attitudinal changes, knowledge spillovers (Audretsch and Keilbach, 2004), extended network effects and

greater investment in human capital can all have more wide-reaching impacts on local economic capacity (Westlund and Kobayashi, 2013). Therefore, this research explores the entrepreneurial responses of microbrewery owners to the pervading economic and policy context in which they find themselves.

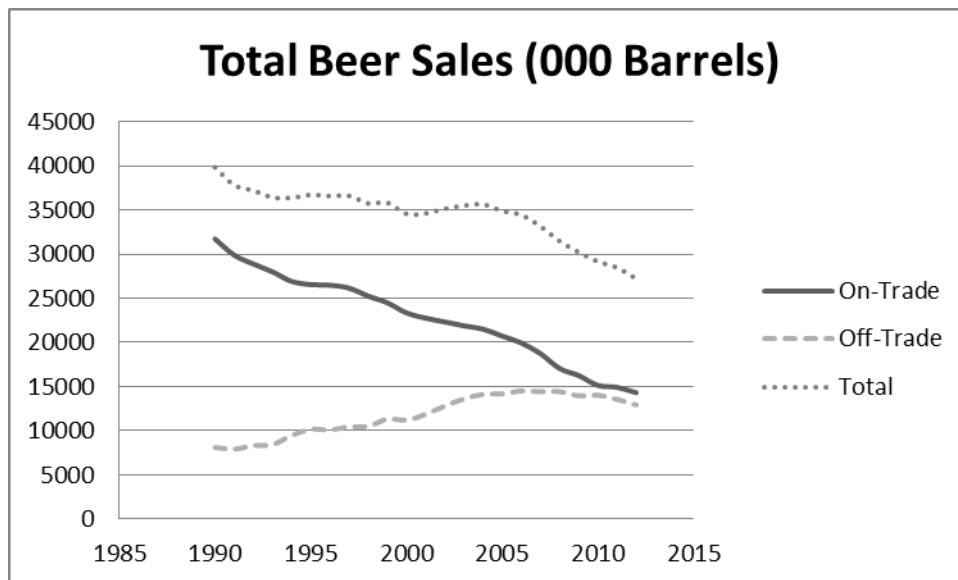
The Changing Economics of Microbrewery Sector

According to figures supplied by request from the BBPA and H.M. Revenue and Customs, in 2011 the UK had 946 breweries. Since 2002, the number of breweries has increased by 134.74%, with some 543 new breweries across the UK. Meanwhile, data provided by the BBPA^[3] shows that draught beer has seen a decrease in sales from 78.8% of all UK beer sales in 1980 to just 47.7% in 2011. Over the same period, real ale saw a decrease in its market share from 16.8% to 7.7% of the draught beer market, partly attributed to the beer duty escalator which has been linked with a decrease in 3 million regular pub-goers (Pescod, 2012).

As depicted in Figure 1, the beer market has seen an overall decline of 31.7% between 1990 and 2012 which has significantly affected on-trade sales with a reduction of 54.9% during the same period. By contrast, the level of off-trade sales saw a marked increase of 78.8% between 1990 and 2005, although this levelled off and then declined as the national economic situation worsened, resulting in a 10.97% decline between 2006 and 2012.

Figure 1: UK Beer Sales from 1990 to 2012 (Data supplied by BBPA)

^[4] Available on request from the author.



Further data provided by the BBPA shows a loss of just under 14,000 public houses (22% decrease) across the UK between 1990 and 2012. This suggests that traditional routes to market are becoming saturated as the number of available outlets for B2B sales are in decline while the number of microbreweries is increasing. These figures indicate a bleak outlook for the microbrewery industry particularly as more microbrewers are entering the industry all vying for a segment in a diminishing market.

Methodology

A sample of microbreweries was identified based on a snowball sample building from a previous study of LEADER funding (Annibal *et al.*, 2013) and from an ongoing PhD research project into the pub industry (Ellis, undated). In total, data is drawn from conversational face-to-face interviews arranged with 15 brewery owners in addition to 3 full days of observation at a collaboration brew^[4] with a total of 26 brewery owners and 3 brewery managers. This sample size is consistent with similar research (Huang and Hooper, 2011; de Jong and Den Hartog, 2007) and was used in conjunction with industry based research. For a qualitative approach, this is considered one of the most effective methods (Wakkee *et al.*, 2006) where open-ended questions allowed for individual variations (Patton, 2002) to uncover the business owners' decision making and attitudes towards the funding process. This research is also viewed as a pilot study to inform the design of a future industry-wide questionnaire targeting, with the aims of

^[4] A collaboration brew is when brewers from different breweries brew a real ale recipe together at a host brewery.

better understanding the diversity, the challenges, the support needs and the economic contribution of the sector across the UK.

Interview conversation guides were developed to cover key details of the business, growth plans and entrepreneurial motivations, the nature of connections with other businesses and why funding had (not) been sought and if so, how effective had it been for achieving those purposes. Interviews were recorded and detailed case studies were written up in each case. Entrepreneurial characteristics drawn from existing literature were explored among this sample group in order to address the research questions concerning the impacts of funding for entrepreneurial behaviour, competition and local economic development. Thematic analysis was then carried out to consider risk-taking, supply chains, employment and training, and the role of grant funding as a driver of innovation and growth. Additional data on changes in the pub and brewery sector are also analysed to establish the existing market conditions in which these brewers are operating as this will partly determine the impact of public funding, alongside business-driven factors.

Responding to Competition in the Microbrewery Industry

There were consistent concerns among all participants over the growing competition in the sector. Typical feelings are highlighted by one microbrewer who commented, *'It's a bit of a worry really.....there aren't any more pubs, there's just more breweries.'* At the global scale, the industry is experiencing a growing dominance of larger brands (Swinnen, 2011). This endorses comments by one microbrewer, *'there are a number of free houses who I ring up... they have not thought about getting a local beer, so although they would be allowed to buy a beer, they just go and buy something from the big guys because it's a name someone recognises.'* To counteract this, microbreweries see the introduction and promotion of new beers as a key part of their business strategy which supports the findings of Murray and O'Neill (2012). As one microbrewer comments, *'We try to bring out new and different beers all the time...I say we have a new beer then it's interesting and if it's something different, then they want it.'* However, larger brewers are also beginning to introduce 'craft ales' in an effort to create a foothold in this market segment and capitalise on growing consumer preferences for authenticity (Black, 2013; Morning Advertiser 2013).

While large brewers are squeezing competition at one end of the market, the growth of part-time brewers or hobbyists is also raising concerns for more established microbrewers. According to one microbrewer, *'these small brewers are not viewing brewing from a business stance. They do not have the overheads of bigger breweries and do not rely on it for their income, so sell their beer at a reduced price that larger breweries cannot compete with.'* This mirrors tensions in the rural tourism sector where hobby-based micro-enterprises can distort competition as well as strengthening the local offering (Markantoni *et al.*, 2012).

Of the microbreweries interviewed, the majority of sales were made in a business to business (B2B) capacity across the UK, where according to SIBA (the Society for Independent Brewers), '85% of local beer was sent out in draught form' (2013: 17). However, the growth of 'Pubcos', companies that control a portfolio of pubs which they either manage themselves, lease or employ tenants, has resulted in over 30,000 pubs in tied relationships with limited scope to source from independent brewers (BBPA). However, these concerns are also stimuli for innovative responses.

While the on-trade has suffered considerably since 2005 (BBPA), the off-trade offers additional opportunities. Although low supermarket alcohol prices have been proclaimed to be 'devastating' to the pub trade (Protz, 2012), Business to Customer (B2C) sales provide additional routes to market. Many microbreweries have taken this initiative with SIBA's (2013) members' survey showing that bottled beer accounts for 13% of output. Among our sample, outlets for the sale of bottle conditioned ales⁵ included supermarkets, farm shops, farmers markets and an onsite shop. The move to online retail has been identified as another possible route to market although one microbrewer challenged it as an 'inefficient' way to access the consumer market due to low purchase value compared to the administration and transportation costs. Furthermore, additional capital expenditure is required for bottling, sterilising and labelling equipment requiring this route to market to be approached as a strategically planned diversification.

To understand the nature of entrepreneurial responses, the themes of risk-taking, supply chains, job creation and training and grant funding are each explored to identify how microbrewery owners are reacting and where there is greatest scope for progress.

⁵ Bottle conditioned ale is a natural live product which contains yeast for a slow secondary fermentation in the bottle (Camra 2013b).

Risk-taking

The initial capital expenditure required to purchase a brewery is high and the physical size of the plant has a large footprint. To put this in context, a 12 barrel brewery was transported from Ireland taking 12 people to disassemble and three articulated trucks and six vans to transport it back to the UK. A plant of this size can produce up to 280 brewers barrels a week using six fermenting tanks. Of the microbrewers who participated in this study, total project costs ranged from £66,000 to over £150,000 when launching the business. Furthermore brewery owners invest on average, 23.7% of their annual turnover on capital investment to fuel expansion (SIBA, 2012) demonstrating that microbrewers are reliant on heavy capital re-investment to maintain and expand their businesses.

The level of costs introduces a degree of risk for both start-up and expansion bringing out the entrepreneurial traits of microbrewers. One commented *'you have to start slowly as you have to build the money up before you can invest...we have very much grown as we have had the money to do it'*. By contrast, another microbrewer acquired additional capital to expand from a bank loan, although commented that *'If I was to go into it today, I certainly wouldn't borrow that sort of money...I feel a bit nervous about making any further investments in the brewing industry, purely on the grounds that there are that many brewers out there and there are more and more coming into the industry and there are less and less outlets coming available. Sooner or later, I feel the bubble has to burst'*. This suggests that although many microbrewers are seeking to expand, their investment may be hindered through limited financial access as a result of the increasing risk associated with a saturated market.

One microbrewery had secured a guest ale distribution through national pub-operating chains on a prescribed rotation requiring storage of some 800 barrels at peak times. This led to a significant expansion in premises (particularly to house bulky ingredients and barrels) such that they lost out on small business rate relief even though the turnover of the business has not increased significantly. While there is support for start-ups and small scale businesses, these represent conditions that act as a disincentive for growth. In a few cases, barriers to growth can drive alternative innovations where entrepreneurs invest in new production methods and products to satisfy more diverse

markets (e.g. investing in bottling machinery to target retail sales or visitor centres to sell directly to consumers), but with increasing competition, there are limits to the scope for such developments.

Many rural entrepreneurs are not pursuing major innovations. As one interviewee observed: *“I’m probably not one of nature’s entrepreneurs, I’m more of a planner and a back room person rather than trying to do things by the skin of my teeth...I feel more like a plodder!”* This highlights the issues raised in the earlier literature where rural economies appear to need both “plodders” and innovators but providing support for both requires an understanding of individual business owners’ risk profiles and ambitions.

Supply Chains

Evidence that pub numbers and beer consumption are declining are leading microbrewers to explore alternative routes to market. Supermarkets, specialist beer retailers, internet sales, farm shops and farmers’ markets are all options to diversify sales away from a declining pub sector. To exploit these, some microbreweries are investing in bottling plants while others have recognised the need for additional marketing expertise. This change has been driven by a combination of heightened competition and industry-wide campaigns to promote real ale. While some microbrewers recognised the need to look further afield, the local areas continued to be important as the identity attached to many microbreweries is heavily localised and the being seen as a ‘local product’ provided a positive brand image. Interestingly, unlike the wine industry for example (Alonso *et al* 2014), exporting is not an established option for most microbreweries in the UK. Where it does occur, as with one example in Scotland (Danson *et al.*, 2013), this has been seen as an exceptional case.

Due to the specialist nature of the microbrewing industry, core ingredients cannot always be sourced locally due to very few malt and hop growers and suppliers in the UK. In addition, new flavours are always sought by brewers to maintain new product ranges which require sourcing from further afield in Europe. In some cases, even where there is a local option, the quality control guarantee from larger operators was seen to be critical to maintain the quality of output needed to sustain the reputation of a microbrewery.

However, microbreweries are also increasingly connected into food and beverage tourism networks and in some cases they are themselves tourist attractions. This further encourages the use of local supply chains as one microbrewer commented, *'We're using local businesses to make our beer mats and our t-shirts with our logo on it and various other bits that go with the brewery tours we offer...[and a customer] is putting our logo on our beer glasses so we're trying to use local business as much as we can.'* The tourism sector also provides opportunities for brewers to reach wider markets through rural tourism outlets.

Job Creation and Training

It has been estimated that 'one job in brewing supports 21 others in supply and distribution: one in agriculture, one in the supply chain, one in retail and eighteen in pubs' (SIBA, 2013: 17). SIBA's members have reported to employ just under 5,000 employees, where approximately 12% are between the ages of 18-25 years (SIBA, 2013) which actively supports the reduction of youth unemployment in the UK. However, one microbrewer explained, *'If I went to a 30 barrel brewery tomorrow I wouldn't have to increase my staff at all, I could maintain the amount of staff, but I could triple the amount of beer I'm brewing.'* Others interviewed, even where they had received funding to accelerate growth, admitted that they were unlikely to create many new jobs.

The brewing industry has no formal requirement for training. This was a concern among participants as brewing requires the use of highly toxic chemicals and the safe handling of food as real ale is a live food produce. In addition, concerns were raised about standardisation of brewing processes as minimum quality levels and brewing standards differ from brewery to brewery. This was considered to affect the overall perception of real ale to consumers as the continued growth of the ale market is essential to the survival of the microbrewing industry.

In addition, those entering the brewing industry have used the expertise of other brewers who have guided them in their initial set up and in the development of good brewing practice such as through Project Venus, an all women brewing network. This network brings together brewsters (female brewers) from across the UK to a host brewery to

brew a recipe designed collectively in advance. The collaboration brew offers opportunities to discuss recipes, ingredients, experiences, brewing practice and give support to others in the network.

It was also noted there are no formal apprenticeship programs for the brewing industry making microbrewery owners liable for the training of new employees. There are private courses available for brewing such as BrewLab and academic courses at a handful of universities but they all require significant time commitments as well as incurring financial costs. Instead, microbrewers are doing their own training but feel aggrieved that they are not getting the recognition: *‘We’re constantly bringing people through, we’re training them up and we’re getting nothing for this.’*

Grant Funding

When considering the rationale for policy support, high levels of sunk costs can be a barrier to entry and in cases where funding has simultaneously enabled the reuse of redundant listed buildings (as in two case studies) or sustained other associated businesses that might otherwise have ceased trading (as in two further cases), the justification is clearer. However, given that many of the day-to-day costs that brewers saw to be restrictive were associated with taxation, principally beer duty and transportation (exacerbated by fuel costs in rural areas), there is a contradiction that many grant investments may simply be offsetting other government measures targeted at reducing fuel usage or alcohol consumption.

If the pure economic argument for policy intervention is relatively weak, any evaluation needs to focus on the wider social and economic values generated from the establishment and growth of these enterprises. In almost all cases, the funding brought forward development rather than creating something that would not have happened. For some breweries, the funding also gave a very clear competitive advantage over others in the same sector. One brewer said, *“it meant that I could buy a higher spec kit,”* adding *“it is semi-automated and can even be operated remotely”*; statements that might raise questions about the job creation potential of the business.

In a similar vein, the recipient of a £50,000 Rural Development Programme for England (RDPE) grant explained that it speeded up their development and also that *‘the grant*

enabled us to spend money on things that we weren't really going to budget for before...for example, the grant will enable us to get a much better website, it will enable us to get a much better vehicle.' Each of these outcomes will have a clear benefit to the competitiveness of that brewery yet it is harder to justify on the grounds of local economic impact. If funding is permitted to support marketing and reduce transport costs, it is easy to see that other local breweries would be disadvantaged.

Considering the wider benefits from funding, it is often difficult to separate out different issues. For example, a brewery established in Northumberland in 2005 on the back of a major grant to support farm diversification and the re-use of listed agricultural buildings also created a new visitor centre for the local tourist economy. However, this arguably distorted local competition and within 20 miles in the same county, a microbrewery closed in each of the subsequent 2 years (Quaffale.org.uk). In Cumbria, seven breweries were supported under the microenterprise measure of LEADER between 2007-2013 (fellsanddales.org.uk; sbeleader.org.uk) while three closed in the same period and currently there are 35 in operation, with two about to start (cumbrianbreweries.org.uk, 2013).

Given the competitive impact of funding, it is perhaps not surprising that those who had to pursue commercial sources of finance were less enthusiastic. One commented that *'there are very little incentives from the government for anything unless you are in an area like Wales or if you are a farmer'* and another explained that they were unable to access grants for their expansion because *'it wasn't farmland so we couldn't get anything'*. This brewer described it was *'irksome'* that others are receiving funding at a time when competition is already quite tough. While not necessarily accurate, these statements highlight the misinformation and frustration brought about by the unequal allocation of public funding and support.

In instances where funding decisions were applied to support vulnerable farm businesses, the impact on the microbrewery sector appears to be less rigorously assessed. This may help to meet one objective but a wider impact assessment would be helpful – particularly in scenarios where funding rules apply to specific boundaries and the displacement effect is outside of the area covered by the policy. In line with the entrepreneurial theory concerning an internal locus of control (Rotter, 1966), one microbrewer who received funding commented that the introduction of a microbrewery

to their pub was a way:

'to gain independence and autonomy in a business that is completely governed and run by big players... This microbrewery takes us out of their firing range. We become a completely different and separate business to what we are now....and what they do and how they conduct themselves will have very limited effect on us.'

This suggests that the diversification of business in this particular instance is a way to ensure the continuation of an existing public house. Diversification of the village pub may increase its viability but the introduction of a microbrewery not only heightens competition in the sector but it also removes a route to market for existing microbreweries who previously supplied the establishment.

Discussion

Each of the previous sections highlights occasions where entrepreneurial qualities are called upon. These include taking significant risks with high start-up costs, identifying new routes to market to survive against the increased competition, diversifying from or into other business sectors, creating new business models or building entrepreneurial networks to develop new products (e.g. Project Venus), share knowledge and strengthen supply chains. The availability of funding impacts on a number of these behaviours and in turn has implications for the local economy and it is these issues that we must now reflect upon in order to answer the initial research questions.

High capital expenditure costs do not just apply to start up as some 23.7% of annual turnover is spent on capital investment, including brewing equipment, vehicles and expansion to premises (SIBA, 2012). For smaller breweries, it is clear that these costs will be more difficult to meet thus financial support to enable growth can be transformational. The need to expand the market reach of the business saw several participants pursue additional investment opportunities thus stimulating entrepreneurial tendencies, following Audretsch and Keilbach's (2004) assertions.

In an increasingly saturated market, investment in microbreweries arguably needs to produce similarly transformational impacts if it is to deliver a strong return on investment and not simply distort the market in favour of the funding recipient(s).

Where such funding simply enables higher quality equipment, it could be argued that this is granting a competitive advantage to one business over another and the entrepreneur is just carrying out existing plans more quickly and with greater confidence. Following Overman's (2012) view that funding can reduce total factor productivity through the propping up of less viable businesses, it is possible to extend this concept to suggest that funding is also supporting less entrepreneurial individuals with the result that competitors are forced to react, or see a fall in their market share. To avoid such criticism, interventions should seek to increase entrepreneurial orientation among beneficiaries, as North and Smallbone (2006) indicate, and not simply provide capital in place of personal risk-taking or other innovative means of business development.

This research indicates that training and collaboration are two potential areas where significant value can be created without the same degree of market distortion. Training is imperative in developing the necessary skills to become competent in both the brewing and business management processes but its premium price and the likely distances involved for rural producers exclude it as an option for many of the smaller brewers. Instead, informal training is given based on personal experience with quality standards and techniques passed down to new brewers in unregulated, unmonitored and informal apprenticeship programmes. Potentially, clearer training requirements can differentiate higher quality producers and increase skills levels across in the industry.

Greater access to training provision can also reduce barriers to entry where some brewing enthusiasts may be inhibited by a lack of personal contact with existing brewers – currently the only source of informal training. Rather than propping up struggling enterprises, this form of intervention both encourages attitudinal changes among small business owners and raises the quality of products which can be communicated more easily to wider audiences with recognised standards. If intervention reaches rural producers, it can also help to overcome market failure created by remoteness.

The research has identified other positive contributions to entrepreneurial capabilities with the competitive nature of the sector stimulating innovations in marketing, production methods and product ranges. However, many of these are not reliant on funding as both funded and non-funded breweries were doing these things. For many

business owners, grant funding is not considered to be achievable but once they begin to explore opportunities and develop plans, their entrepreneurial orientation has the chance to emerge. While such contributions to human capital cannot necessarily be captured in an evaluation process, ensuring good communication of opportunities and support through the planning stages can be highly empowering.

Conclusions

This research has established a number of challenges facing the microbrewery sector with variable impacts arising from policy intervention. Indeed, awareness of the availability and eligibility criteria is also inconsistent. Market analysis highlights a situation where competition among microbreweries is increasing at a time when the number of pubs is decreasing. Moreover, fixed costs in terms of equipment and land are high and interviews have discovered concerns over variable costs such as transportation and taxes too. Thus, from a purely economic perspective, the arguments for funding new breweries or expansion among existing operators are far from compelling. Added competition is a driver of innovation and entrepreneurial behaviour regardless of funding and where funding has been provided, there are concerns that the high levels of competition are creating displacement effects with a saturation point being reached in some regions.

At the very local level, especially in more rural areas, the findings are again mixed. Some interventions have led to spin-off benefits for tourism businesses and other local food and beverage producers while others have simply offered a competitive edge to independent businesses. It is therefore imperative that evaluations of policy intervention are used to inform allocation decisions in ways that ensure good outcomes are very clearly aligned to payments. Job creation and training provision can be used as indicators of both economic and social contributions and further indicators of multiplier effects through trade and tourism must also be considered.

On a more positive note, however, there are several examples of how funding can stimulate innovative thinking and raise entrepreneurial skills within the sector. If this translates through local networks to benefit a range of businesses, the potential for new products, new methods and new collaborative arrangements to reduce costs and exchange knowledge should all be welcomed. We have seen examples of greater

environmental awareness, product diversification, extended market reach and innovative thinking about how and where to sell products.

In conclusion, we have seen a range of impacts although the specific contribution of funding is inconsistent. Many of these impacts can be created through businesses making their own investments to grow their business and their networks so more detail is required to identify the true additionality created from public funding. This research is limited by the sample size, therefore, a wider survey is required to better evaluate how funding has been used and how it has impacted both microbreweries and their local economies. This information can then inform funders and policy-makers as well as industry organisations to ensure that the sector remains healthy and that its contribution to local economic development is fully recognised.

References

- Alonso, A. D., Bressan, A., O'Shea, M. and Krajsic, V.(2014) Exporting wine in complex times: a study among small and medium wineries *Journal of Small Business and Enterprise Development* 12(2): 345-364
- Alonso, A. D. (2011) Opportunities and Challenges in the Development of Micro-Brewing and Beer Tourism: A Preliminary Study from Alabama, *Tourism Planning and Development*, 8(4): 415-431
- Alonso, A. D. and O'Neill, M. (2010) 'Small hospitality enterprises and local produce: a case study' *British Food Journal*, 112(11): 1175-1189
- Annibal, I., Bosworth, G., Carroll, T., Price, L., Sellick, J. and Shepherd, J. (2013) *A Review of the Leader Approach for delivering the Rural Development Programme for England*, A Report for the Department for Environment Food and Rural Affairs (Defra), London.
- Audretsch, D. and Keilbach, M. (2004) *Journal of Evolutionary Economics* 14: 605-616
- Begley, T. and Boyd, D. (1987) Psychological characteristics associated with performance in entrepreneurial firms and smaller businesses. *Journal of Business Venturing* (2): 79-93
- Black, R. (2013) 'Marston's releases 4% keg craft lager' *Morning Advertiser* No. 105 6th June 2013: p19
- Bosworth, G. (2009) Education, mobility and rural business development. *Journal of Small Business and Enterprise Development* 16(4): 660-677
- Bosworth, G. and Farrell, H. (2011) Tourism Entrepreneurs in Northumberland: The Role of In-migrants, *Annals of Tourism Research* 38(4): 1474-1494
- Brewers Association (2013) Craft Brewing Statistics. Accessed 27th August 2013 at: <http://www.brewersassociation.org/pages/business-tools/craft-brewing-statistics/facts>

Carter, S. and Jones-Evans, D. (2012) *Enterprise and Small Business; Principles, Practice and Policy, Third Edition*. Pearson, Harlow.

Danson, M., Galloway, Beatty, C. and Cabras, I. (2013) Micro brewing and entrepreneurship: the origins, development and integration of real ale breweries. Paper presented at the 2013 Beeronomics Conference, York, UK.

DeCarolus, D., Litzky, B., & Eddleston, K. (2009). Why networks enhance the progress of new venture creation: The influence of social capital and cognition. *Entrepreneurship Theory and Practice*, 33(2): 522–545.

De Jong, J. P. J. and Den Hartog, D. N. (2007) ‘How leaders influence employees’ innovative behaviour’ *European Journal of Innovation Management*, Vol. 10(1): 41-64

European Commission (2006) The Leader Approach: A basic guide. Accessed 1st May 2013 at:
http://ec.europa.eu/agriculture/rur/leaderplus/pdf/library/methodology/leader_approach_en.pdf

Fuduric, N. (2008) “The Sources of Entrepreneurial Opportunities: Individuals and the Environment”. Doctoral Research Paper 2 of 5 Department of Planning and Development, Aalborg University, Denmark

Goodman, D. (2009) “Place and Space in Alternative Food Networks: Connecting Production and Consumption”, pp.189-213 in M. Goodman, D. Goodman and M. Redclift, (eds) *Consuming Space*. Ashgate, Farnham.

Henchion, M. and McIntyre, B. (2005) ‘Market access and competitiveness issues for food SMEs in Europe’s aging regions (LRRs)’ *British Food Journal*, 107(6), 404-422

Huang, H. J. and Hooper, K. (2011) ‘New Zealand funding organisations: How do they make decisions on allocating funds to not-for-profit organisations?’ *Qualitative Research in Accounting and Management*, Vol. 8(4): 425-449

- Jack, S. and Anderson, A. (2002) The effects of embeddedness on the entrepreneurial process. *Journal of Business Venturing* 17, pp467-487
- Kalantaridis C, and Bika Z, (2006) "Local Embeddedness and rural entrepreneurship: case-study evidence from Cumbria, England", *Environment and Planning A* 38: 1561–1579
- Kesmodel, D. (2009) "In lean times, a stout dream". Article published in the Wall Street Journal 18th March 2009. Accessed 27th August 2013 at:
<http://online.wsj.com/article/SB123733628873664181.html>
- Kirin Holdings (2013) Kirin Beer University Report: Global Beer Production by Country in 2012. Accessed 2nd February 2014 at:
http://www.kirinholdings.co.jp/english/news/2013/0822_01.html
- Lumpkin G. and Dess G. (1996) Clarifying the entrepreneurial orientation construct and linking it to performance. *Academy of Management Review* 21(1): 135–172
- Macko, A. and Tyszka, T (2009) Entrepreneurship and Risk Taking. *Applied Psychology: An International Review* 58(3): 469-487
- Mak, A., Lumbers, M. and Eves, A. (2012) Globalisation and food consumption in tourism. *Annals of Tourism Research* 39(1): 171-196
- Malecki, E.J. (2003) Digital development in rural areas: potentials and pitfalls. *Journal of Rural Studies* 19: 201-214
- Markantoni, M., Strijker, D. and Koster, S. (2013) Growth expectations for side activities in rural areas. *Journal of Small Business and Enterprise Development* 20(3), 584-602
- Markantoni, M., Koster, S., Strijker, D. and Woolvin, M. (2012) Contributing to a vibrant countryside: The impact of side activities on rural development. *Tijdschrift voor economie en sociale geografie* 104(3) 292-307

Morning Advertiser (2013a) 'Brains to increase craft-beer capacity' *Morning Advertiser* No. 101, 9th May 2013, 12

Morris, C. and Buller, H. (2003) 'The local food sector: A preliminary assessment of its form and impact in Gloucestershire', *British Food Journal*, 105(8), 559–566

Morris, M. (1998) *Entrepreneurship Intensity*, Quorum Books, Westport, USA.

Muir, R (2009) *Pubs and Places: The Social value of Community Pubs*, London, IPPR

Murray, D. W. and O'Neill, M. A. (2012) 'Craft beer: penetrating a niche market' *British Food Journal*, 114(7), 899-909

North, D. and Smallbone, D. (2006) Developing Entrepreneurship and Enterprise in Europe's Peripheral Rural Areas: Some Issues Facing Policy-makers. *European Planning Studies* 14(1): 41-60

Overman, H. (2012) The impact of government grants: employment up, productivity down. LSE Blogs, accessed 15th July 2013 at: <http://blogs.lse.ac.uk/politicsandpolicy/archives/20298>

Patton, M.Q. (2002) *Qualitative Evaluation and Research Methods*, 3rd ed., Sage, Thousand Oaks, CA

Pescod, A. (2012) 'CAMRA stats show regular pub visitors down 3 million since beer duty escalator introduced' *Morning Advertiser*, 12th December 2012 [accessed 12.08.2013]

Protz, R. (2012) 'Protz: Supermarket beer prices study reveals bombshell findings that threaten the pub trade' *Morning Advertiser*, 8th October 2012 at: <http://www.morningadvertiser.co.uk/Opinion/Roger-Protz/Protz-Supermarket-beer-prices-study-reveals-bombshell-findings-that-threaten-the-pub-trade> [accessed 12.08.13]

Rycroft, G. (2013) '187 breweries open in the last 12 months' *CAMRA*, 12th September, 2013 at: http://www.camra.org.uk/article.php?group_id=11205 [accessed 05.06.2014]

SIBA (2012) 'Local Beer Report 2012' SIBA

SIBA (2013) 'Local Beer Report 2013' SIBA

The Brewers of Europe (2013) The Contribution made by Beer to the European Economy: EU Report. Published December 2013. Accessed 17th February 2014 at: http://www.brewersofeurope.org/docs/publications/2013/economic-contribution-eu-report-edition_final.pdf

Tregear, A. (2005) Lifestyle, growth, or community involvement? The balance of goals of UK artisan food producers. *Entrepreneurship and Regional Development*, 17(1): 1-15

Wakkee, I., Englis, P.D. and During, W. (2006), 'Using e-mails as a source of qualitative data', in Neergaard, H. and Ulhøi, J.P. (Eds), *Handbook of Qualitative Research Methods in Entrepreneurship*, Edward Elgar, Cheltenham: 331-58

Westlund, H. and Kobayashi, K (2013) *Social Capital and Rural Development in the Knowledge Society*. Edward Elgar, Cheltenham.

Williams, N. and Williams, C. (2014) Beyond necessity versus opportunity entrepreneurship: some lessons from English deprived urban neighbourhoods *International Entrepreneurship and Management Journal* 10(1): 23-40

Williams, N. and Williams, C. (2012) Evaluating the socio-spatial contingency of entrepreneurial motivations: A case study of English deprived urban neighbourhoods. *Entrepreneurship and Regional Development* 24(7-8): 661-684

Websites

www.cumbrianbreweries.org.uk Brewing in Cumbria through the ages. Accessed 28th August 2013

www.fellsanddales.org.uk Supported projects: Microenterprise. Accessed 28th August 2013

www.sbeleader.org.uk Supported projects: Microenterprise. Accessed 28th August 2013

www.quaffale.org.uk The directory of UK Real Ale Brewers – Closed Breweries.
Accessed 28th August 2013